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OUR NATIONAL BANKING SYSTEM.

"Les financiers soutiennent l'État comme la corde soutient le pendu."—MONTESQUIEU.

LET the wide difference between the private business of banking and the duty of a national government to coin and issue money be clearly understood. The power to create a national standard of value and to coin or issue money is the prerogative of sovereignty alone, and when delegated to States, corporations, or individuals is so delegated against the spirit of the common law, our written Constitution, and the principle of equal rights for all classes of citizens. Banking represents the clarified essence of the business transactions of the world. One might as well inveigh against roads, steam-engines, markets, and post-offices, as against banks. But banking is only one of a thousand kinds of exchange for private gain, and no more entitled than the others to have influence or power to control, contract, or expand the volume of a national currency. I hold that our national banking system is clothed with all these powers, and necessarily employs them all for private gain, so as to contribute at times to public misfortunes. To begin with, it creates a subsidized class. The national banking system, in brief, is this: that when five or more individuals who

can command, say, $100,000 form a banking association, they may use that sum to buy United States bonds bearing interest; and the Government agrees, for the purpose of helping them into the banking business, that it will safely keep those bonds, will continue to pay the interest to those gentlemen, and, in consideration that they engage in that particular business, will stamp the national money-signet upon $90,000 of bank-notes and deliver them to the association. These notes are expected to have, and do have all the powers of money. The bank lends them like national coin, and can by law enforce the payment of such loans, in coin or other legal tender. Behold our banking association changed, in the twinkling of an eye, from one having $100,000 of its own money to invest, to one with that amount securely invested and $90,000 more in hand to lend! Was ever $90,000 more deftly taken in? Were this pretty subsidy the only objection to the system, it might be let alone as more lucky than sinful. But the principle upon which the system is founded is dangerous to the stability of business and steadiness of values. It is a stimulus to speculation and inflation at one time, and contributes to the paralysis of business at another. Its powers are a premium given for the violation of that cardinal principle of political economy, that the power to increase or diminish the standard of value at pleasure should not be given to kings or potentates or powers, not even to Congresses and Presidents, still less to little corporations of private bankers. It needs but a knowledge of the law, and the bank practice under it, to show that the banks have this power, and use it. Let me illustrate.

When the country is prosperous, the banks naturally increase their circulation to meet a lively demand for money. As prosperity rises into speculative activity, over-hopeful views lure to the payment of high interest, and each man that buys makes a profit, and he that fails to buy is left behind, so that the feeling pervades entire communities that buying almost anything is safe. More money is wanted. The banks see profit then in buying bonds and putting out ninety per cent. of new circulation based upon them, thus adding fuel to the spirit of speculation. Let the revulsion come. Immediately there is a contraction of credits by the banks, while the rush for money at any price sends interest still higher on what they dare lend. As the banks gather in their loans, they are afraid to let them out freely as before; they hold more in reserve;

more and more as times pinch. If the business-collapse is serious, they bundle their bills back to Washington—"take up our circulation," as they say. In short, after inflating the currency with their notes so as to promote speculation, they are next interested in contracting so as to make the results of a reaction more disastrous. Money-lenders of all kinds then gather in at ebb tide the stranded wrecks of property for pledge of which they loaned those copious issues of bank-notes. By the very nature of their business interests, round and round will revolve this wheel of national bank inflation and contraction. Thus the present system, though an immense improvement in every respect on the heterogeneous old breed of State and "wild-cat" banks that wrought ruin in 1836 and 1857, is nevertheless of the same dangerous family.

The system is a dangerous political power. The unity of the national banking interest threatens the corruption and control of the machinery of political parties. Its power is omnipresent. It is subtle and strong to maintain laws for its own private profit. The Jesuits of two centuries ago had no more efficient organization for controlling with unseen hand the governments under which they lived. Similar fears have been expressed concerning the colossal power wielded by some railway corporations; but in the case of railway companies competition and bitter rivalries neutralize the danger. Not only is one road thrown against another for the benefit of all the people who are not stockholders in those roads, but even the pooling arrangements give the lowest average transportation rates possible. Thus we now have a condition of railway usefulness that makes the present a millennial era for travel and transportation. But the great national banking system has no such popular ramification among all classes of people as railway employment makes. It has no similar competitive interests spanning whole States: competition of water against rail; of rival capitalists and their pride pitted against each other for advantages and victories; of unceasing competitive inventions. The national banking system is a solidarity. Its interests are alike from Maine to Texas, from New York to San Francisco. So far as legislation may be needed to fortify its privileges, or to increase them, there is a singular unity of interest and absence of causes for dissension. Only the feeblest and most local competitive interests neutralize for the public safety these bankers' private interests. Their control over political events where the bank interests are in question

will be greater than that of all other interests. Everywhere good citizens are among the officers, stockholders, and employees, and easily believe their own interests to be the public's. The entire community are depositors, and some of these the bank officers have the power seriously to incommode, and even to ruin. At all elections the bank interest can throw, unseen, the weight of its organized contributions to influence results; while, so far as the community is likely to perceive, it seems a disinterested spectator of what in fact it is directing and controlling.

In Congress, where alone their power may be modified or destroyed, a large number of members of both houses are officers and stockholders of the national banks, and have not yet been known, from any delicate appreciation of their public duties, to refrain from voting on questions concerning the banks on account of having private interests therein. In conversation, at the close of the Garfield-Hancock canvass, with an active Republican politician at the West, concerning that election, the writer remarked that the Republicans had the advantage of the Democrats in the amount of money at their disposition. "Oh, as for that," he replied, "there was enough for all purposes on both sides; more than we could use on our side, I know, for the laws are so stringent that great prudence must be used to avoid prosecution. Why, sir," he continued, "we were telegraphed from the East to draw for all we wanted, and could have had ten times as much as we knew how to use to advantage." How long will it be before money thus freely tendered will find sewers well concealed in which it can flow to the profit of its givers? And who were they that could thus be freely drawn upon? The national banks had a great stake in that campaign. Their charters were soon to expire; the system was fighting for dear life and preferred the *status quo* with the party that gave it birth to the chances with the other. It won; and the system has been fortified with new charters.

F. J. SCOTT.

THE invitation to join in a discussion of the merits of the national banking system implies the existence of an adverse public opinion, important at least, if not controlling, in the politics and policy of the country. It is not easy for one who can recall the financial disasters of 1837 and 1857 to accept the conclusion

so implied. The unification of the currency of a country is an essential condition precedent to uniformity and prosperity in business; and it is a force of no inconsiderable value in favor of national unity—a force all-pervading in its influence, and constant in its operation.

The United States Bank furnished a degree of relief from the evils of local, and often unsound currency issued by the State banks, but that relief was always partial and often spasmodic. Under the State bank system the merchant and manufacturer of the North and East could neither buy nor sell in any market of the South or West without considering the uncertain element of exchange. The rate of exchange between New York and New Orleans was greater often than the rate between New York and Liverpool. The notes of the New England banks circulated in New England, but they were merchandise in the city of New York. Travelers from the North to the South, and from the East to the West, were the victims of brokers, who supplied currency to meet the demands of the various localities. The phrase "domestic exchange" has disappeared, and the sign of the dealer in bank-notes is no longer seen in the cities and large towns.

The evils of the State bank system are inherent. In the nature of man it is not possible for the legislatures of thirty-eight States to adopt individually, and in such a way as to inspire general confidence, a system that will make the bill-holders secure in case of the failure of a bank. It is not possible for the thirty-eight States, nor for the banks of thirty-eight States, acting separately or collectively, to devise and keep in motion a system of redemption by which a note issued by a bank at Tallahassee, Florida, shall pass current at Portland in Oregon. It is not possible for the thirty-eight States, nor for the banks of the thirty-eight States, to provide a system by which the note of a failed bank in a remote town of Texas shall be of full value and everywhere current. All these advantages, impossible under the State bank system, are now the incidents of the national banking system.

The State banking system was an obstacle to national unity. It turned the attention of the people from the nation to the respective States, and led them to look to the States for that security in business and financial affairs which the States could not furnish. It gave countenance to the doctrine that the States were supreme, and that the national Government was an agency created by the

States and tolerated by the States, in the exercise of those powers, and those only, which the States had transferred to it.

Of the three great results of the war, the unification of the currency is one. First, the re-establishment of the Union upon the basis of its original, inherent, and constitutional right to exist, independent of the will of States; second, the abolition of slavery; and, third, the assertion by the national Government of its right to furnish a paper currency to the exclusion of any right in the premises on the part of States. The reason for the exercise of this power by the national Government is in the nature of our institutions, and the exercise of the power finds support and justification in the Constitution. The power to coin money is denied to the States, and it is vested exclusively in Congress. For this many sufficient reasons may be assigned, but a paramount reason lies in the probability that the States would furnish coins of varying denominations, and of values intrinsically different. These evils would be felt in business in a variety of ways. A statement of accounts made in one jurisdiction would not accord with the statement made in another. As in transactions with England and France we are now compelled to convert pounds and francs into dollars, so under such a system it would have been necessary to convert the coins of one State into their equivalents in other States. By the Constitution we have one standard, the coin of the United States. Unfortunately, at present, the relative market value of silver and gold does not coincide with the nominal value of silver and gold coins. In this fact we have a taste of the greater evils that would have rested upon the country if the coinage of gold and silver had been left in the custody of the respective States. And if it be important to have a uniform standard, is it not equally important that the representative of the value of the standard should be uniform also? This uniformity is secured by the national banking system.

The issue of United States notes—greenbacks—was due to the exigencies of war. The quality of statesmanship did not enter into the measure. The Treasury Department and Congress were subject to a power that they could not resist. The discretionary part of the proceeding, in which a wise statesmanship was exhibited, was in the decision that the notes should be a legal tender for all dues, public and private, except duties on imports and interest on the public debt. Whenever a government furnishes a currency by

its direct action, whether that currency is coin or paper, the legal tender quality is an essential condition of its value. One test discloses the absurdity of the non-legal-tender theory. Could a government maintain its existence in an exigency such as this Government was called to meet, in 1862, by the issue of a currency that private debtors could not use in payment of their debts? For what length of time would contractors be able to supply the wants of an army, if the currency received by them could not be used in payment of debts due by them?

The great financial measure of the war was the transfer of the banking system from the control of the States to the jurisdiction of the national Government. The newly organized institutions became the agents of the Government in the sale of bonds, and the efficient means by which a knowledge of their value was carried to the small capitalists of the country. From 1861 to 1865 the credit of the country was so impaired that loans were made with difficulty. The credit of the country is now so well established that the offer of a public loan would be accepted eagerly by capitalists, great and small, in foreign countries as well as in the United States. And such has been the condition of the public credit since 1876 that executive ability has not been required to enable the Government to sell its bonds. When it is necessary to advertise, to urge, to do what in commercial language is called "drumming," the work must be committed to banks and bankers. The financial officers of the Government are not authorized to engage in that work, nor are they qualified to perform it. During the war, and immediately subsequent to it, the national banks made large subscriptions to the loans, and those subscriptions they transferred in smaller amounts to their clients and customers. If it be said that they realized a profit from the business, and that their conduct in those days ought not to control the policy of the Government at the present time, all that may be admitted; but it cannot be assumed that like services will not be required at some future time. Our policy is peace, but there can be no security against war. War is always a possibility, and a sound financial condition is more important to a country than a great navy or a standing army.

It would be unjust to assume that any general apprehension exists that the national banking system is dangerous to the liberties or rights of the people. It is controlled by Congress, and that

body is as fair a representation of the people as are the legislatures of the several States. The banks are distributed over the whole country; they are managed by citizens of the respective States, and they can never have political or financial interests in common that would lead them to combine in advocacy of or hostility to any public policy.

If there are those who advocate the overthrow of the national banking system, the burden is upon them to show a better system, if they favor a system of any sort; or if they contend for the abolition of the present system without a substitute, they are bound to demonstrate beyond a reasonable doubt that the condition of the country would thereby be improved. In solving the problem, whichever alternative they accept, they cannot omit to notice the fact that the business men of the country are indebted to the national banks constantly to the amount of more than one thousand million dollars. Whenever the present banking system is abolished, that indebtedness must be met. The capital would remain in the country; but its transfer to new hands, and its distribution to the stockholders in comparatively small amounts, would cause the suspension of business in many otherwise prosperous communities.

GEORGE S. BOUTWELL.

ONE day, some ten years ago, I met my revered friend, Wendell Phillips. He had been talking about the greenback. "Mr. Phillips," said I, "what is the point of this discussion? What can be better money than a good bank bill with a gold dollar behind it?" "Ah!" he replied, "that would be pretty good money if it were not a lie. But the whole thing is a false pretense—a swindle. The gold dollar is never behind the dollar bill, except just when no one wants it. The moment it is really needed it is not there, and can't be there. Why? Simply because the world's trade, despite all the aids of the most recent and improved banking, properly requires, say, ten times as much currency as both gold and silver furnish. The two metals comprise some six thousand millions of dollars each—twelve thousand millions in all. That is the total accumulation of the ages. But the world can't do business, can't exchange its commodities, without using more than a hundred thousand millions of currency. So the gold and silver will not go

around. If one country has enough, some other is drained and cornered. Paper money was invented to overcome this difficulty. But, if there is only one metallic dollar behind ten dollars in bank-bills, or five, or three, why not recognize the fact, and not promise an impossibility, specie redemption on demand? The great lie called 'specie basis' has destroyed the commercial prosperity of the United States once every six years since the nation started."

I recall my first real lesson in finance, not merely to point a bit of narrative, but because Mr. Phillips pierced the heart of the subject at one thrust. Seven hundred years ago the civilized world gave up the attempt to float its rising commerce on the two baby-rafts, gold and silver coin, and started the Bank of Venice. The books of that bank, in 1171, contained the whole principle of the United States treasury-note, the only kind of paper money that will ever be fit for issue under any stable government, until civilization outgrows the use of metallic currency.

Venetian money consisted of coin and paper. The State stood behind the paper and made it better than gold: first, by holding the volume strictly within the demands of trade; and, second, by redeeming it at par with coin in all public dues and private debts. Venice issued no treasury-notes, as we employ that term, and no engraved bank-bills. She needed a loan for war, as did the United States twenty-four years ago, and she forced her wealthiest citizens to advance it. Then she made the lenders the managers of the loan, and allowed them four per cent. a year on it. They started a bank, and opened their ledgers. They made their whole stock divisible and transferable, and began to sell. But this arrangement converted the bank capital into a circulating medium for all the wholesale transactions of Venetian commerce, with a volume only limited by the rapidity of transfer. Everybody wanted a slice of the stock, for it was legal tender. Thus the divisible inscriptions of the Bank of Venice became the currency of Europe. Interest on it was abolished, for the people needed to use more than they could get, and they soon came to regard it as a permanent tool of trade, the cheapest and best that could be devised. Venice used it for nearly six centuries without one commercial panic. This method of furnishing a country with a currency is to supplement nature's shortage of gold and silver with government credit, not redeemable in coin on demand, but made legal tender for all public and private dues, and

kept at par with coin, or above it, by strictly commanding the volume.

But, in 1695, the Bank of England inaugurated another method of helping out nature in her deficiency of bullion. It was to inflate the notes of the bank far beyond their backing in coin, yet promise specie conversion on demand. It was known that no such promise could be kept if the demand should become general; but it was "guessed" that the notes would never be presented all at one time, and thus break the bank's "specie basis." Thus the British banking system, with its whole line of offspring, was conceived in a miscalculation, and has become just what Wendell Phillips called it, a stupendous lie. But it was foisted on the American colonies and the United States, and from 1789 to 1861, under the old State banks, it brought us to commercial ruin five times in each generation. The way of doing it was simple enough. Trade was tempted into activity by discounting business paper, and exchanging bank-notes for it. Then came the periodical drain of specie by the world's great gold-sucker, the Bank of England; and then the American banks, to hold on to some reserve of coin for the redemption of their bills, were forced to stop discounts, put up the rate of interest, and precipitate a panic. In such a panic, a few cunning Shylocks, who understood the game, were always found to have all the specie afloat, and thus to hold the power of measuring all other values by their little hoard, and buying up everything at their own price. This done, the banks generally suspended specie payments and began a new deal.

Our national banking system to-day is as good a thing, perhaps, as could possibly be derived from such a source—the great British confidence game of specie basis, inflation, and suspension. In memory of the State banks, these national banks are deservedly popular. They furnish a uniform currency, good in all parts of the country, and the bill-holders are thoroughly secured. In general, the banks are managed by honest and able men. But the very name "national" bank implies the one overwhelming objection to the thing as it is, which is not national. In our day, there is no excuse for any nation that does not issue and control the money of its people, in the whole common interest, as a direct function of government. No function is more vital. To distort a currency fills hearses and opens graves. Our nation shirks its duty, and relegates the function to an association of indi-

viduals. "The National Banking Association" is a private monopoly.

The small bonus of double interest—five or six millions of dollars—which the banks now get from the people is not worth talking about; but the banks are conducted for the private gain of their stockholders, who can, at will, inflate or contract the people's money, and thus set the value of all property. Fortunately, the "specie basis" of the national banks is now chiefly paper—the "rag-baby"—three hundred and forty-six millions of greenbacks! This circumstance at last prevents our foreign trade and the Bank of England from dictating exactly when an American merchant or manufacturer may get his business notes discounted. Those greenbacks fight off our old-fashioned panics. But, while our treasury-note is the gold-redeemer of the bank-bill, the Government, if called on, must redeem its own notes in the gold itself. These notes are held by the banks. So, a sufficient combination of national bankers can break the United States Treasury at any time during an outward drain of specie. They may never do it. But how simple-minded are the "great American people" to take the risk!

Let us have honest money. In 1861 Thaddeus Stevens planned it perfectly, as far as honest money can be instituted in connection with metal. The civil war was to be fought on Government credit, and paid for in taxes. In the meantime the people would need about a thousand millions of currency beyond all the specie then in the country. What better currency could they possibly have than Government notes, redeemable in taxes; that is, in the people's own inevitable debts? There could be only one danger in such money. Overissue would depreciate it, because overissue, and that only, will depreciate any money. Against this contingency an interest-bearing bond was placed, to absorb, at need, any excess of the circulation. The Government paper, both currency and bonds, was ultimately redeemable in coin. But Thaddeus Stevens was long-headed enough to see that such a money would constantly redeem itself; and there would be the end of the "specie basis." He simply revived the money-tool of Venice, which was no experiment, but which had been approved by the unbroken practical success of more than five hundred years. Our House of Representatives adopted it by a large majority. But the blind and raw Senate of that day spoiled it. They made a green-

back not redeemable in duties on imports or interest on the public debt, and so not placed by the nation that issued it at par with coin. That "blunder worse than a crime" enabled the foxy gentlemen of the specie basis to corner the whole credit of their country, which had to be dumped into Wall Street, at any price it would bring, to buy the gold which they alone held. They doubled the national debt—as Mr. Spaulding, since President of the National Banking Association, prophesied—and their handiwork has cost the rest of their countrymen more than five billions of dollars.

But if the greenback is now the "specie basis" of the banks, it is good enough for the American people. Gold is "the money of the world" (in spots), only because certain nations have made it such. Should all the world demonetize it, seventy per cent. of its value would drop out in a day. As ours is a silver-producing country, let us make silver as valuable as possible, by full monetization, but recognize a complete "bi-metallic solvent." Bi-metalism will save us from being the plaything of London and Hamburg. But, with what gold and silver we can keep in the country, let us have all the treasury-notes that can be held at par with the specie. To that extent our paper circulation should absorb our bonds, and save interest on the national debt. Bankers will have plenty of room for their very useful business; but when they loan money, it will be really national money—gold, silver, and treasury-notes.

EDWARD H. G. CLARK.

THE assailants of the national banking system divide themselves, if I am rightly informed, under the three watchwords, Strict Construction, Anti-Monopoly, and Paper Money. To those duly nourished in the creed of State rights, the national banks are objectionable merely because they are national, creatures of Federal needs and of Federal power, carrying on the work of centralization in every corner of every State. To the anti-monopolist the banks are a monopoly, and, like beasts and birds of prey, always the object of legitimate attack. To the partisan of paper money, the national bank-note embodies an error of principle and a blunder of policy with which, by virtue of his office, he is at feud. Of course, these three orders of opinion all come from perennial stock. They are sure to find, in time, and in one place or another, a reason

or a means of effective growth. But to overthrow a system so well grounded as that of the national banks, there should be a force and a cohesion in these elements of opposition which, in my view, is lacking. Is there to be found in them any important or practical suggestion for an amendment of the system which is called for by the needs of the present or of the immediate future? I am unable to recognize such.

As for the pressing issues of the day, the Refunding bill, to be passed by the present Congress, and the admission of other than United States bonds as security for the notes of the national banks, I shall take leave to pass them by, in order to reach a class of questions less likely to have received due consideration. I refer to the probable need of a modification of the financial control of the country in the direction of closer harmony between the Treasury, the banks, and the business interests of the country.

A general monetary war is now waging between the continents and the nations that rally to the standard of gold or of silver, or of silver and gold, and the issue of it is uncertain. The condition of business in this country is one of distress. It is not merely "trade depression," as the English expression has it; it is industrial depression, agricultural depression; it is a stagnation of enterprise, a discouragement of investment, a congelation of credits, affecting the entire range of production and exchange; it is a time when he who finds it necessary to sell is likely to realize a shrinkage of price. The entire occidental world is in a plight little better than ours.

The recognition is growing apace that the proximate, the efficient, the removable cause is the anti-silver legislation adopted by European States within a few years after the battle of Sedan. This legislation acted as a continental conspiracy to "bull" gold and "bear" silver. Reducing a thousand millions of intrinsic money to the condition of tokens, it tended to check the speed of circulation. Diminishing the stocks of Europe by sale of melted coin, and depriving them of re-enforcement from the annual output of the silver mines, it made default in the normal supply of money, while population and business were increasing: a default that was carried further by a decline in the output of gold, and by the partial replacement of paper by gold in the United States and Italy. We have here, in brief, the main features of a world-wide "corner on gold," which produces a shrinkage of values expressed in gold; that is to

say, a shrinkage of the prices of most vendible things in Europe and America.

The situation in this country may be described as one of compound fracture. In addition to the lesion that the property-using world shares with Europe, it suffers a specific injury in the danger of a further dislocation of values through a premium on gold. This danger is due to the continued coinage of silver, or the absorption of it into the Treasury. It might be assumed that a silver coinage, acting to swell the monetary mass, must tend at least toward a cure of the gold-contraction. But this expansive force is very limited, and is crossed by an opposing force that quite overbears it for the time, which is, of course, the specific destruction of confidence in the stability of business and of values when a premium on gold is impending. This menace, following as it does a year of liquidations such as that of 1884, has a very depressing effect.

Such are the efficient causes of the present depression, and it is obvious that the general cause is not transitory. It is true that a limit may be set by Congress to the coinage of silver, and to the purchase of it by the Treasury; but this does not settle the silver question; this does not end the war. So far as new legislation or governmental action is concerned, the situation is a dead-lock. Masterly inactivity is the order of the day—barring the unmasterly activity in the coinage of standard dollars here. But the aggressive invasion in the monetary field ceased on May 16, 1879, when Germany ceased to sell melted silver coin. Opinion in Europe is unequivocally moving toward the adoption of the policy of bimetallic union, and all signs promise that it will move with accelerated speed when our statesmen at Washington shall have put forth their strength.

A forecast of the future, therefore, opens before us three periods, or stages: first, as a certainty, a continuation of the present dead-lock; second, as a possibility, a provisional and preliminary monetary union; third, also as a possibility, a completed union for the establishment of the silver and gold standard. Is there in this forecast anything that seems to point to work for a national banking system to do any duty that Congress may find it expedient to impose upon it? I should say, decidedly, yes. The changes and chances of a prolonged period of unstable equilibrium, like the present, with a shrinking stock of gold as the sole money of international credit, sustaining by its side, in each nation, silver and

paper money of merely national credit, offer ample occasion for the beneficial agency of a banking system. Again, as we confront the idea of monetary union with other nations, we become aware of a suggestive disparity between our banking organization and theirs. These nations, before which the proposal of the United States for a monetary union has been outstanding since 1878, have central banks acting in harmony with the Treasury. However widely the Banks of England, France, Germany, Holland, Italy, and Belgium may differ in detail, their relations to their governments insure in the main a consistent, centralized financial control. In this country this certain harmony of action is lacking. The interests of a nation of our acreage and population are a serious load to be conducted safely. Of course, the horses are willing and numerous, and the vehicle is strong ; it is only the driving that can awaken solicitude. The reins are divided up among a number of drivers, and these drivers are not organized as a committee, subjected to the directions of a chairman, or bound by a majority vote. Harmony is possible, of course, but is hardly certain to appear when needed.

It is easy to foresee that in laying the foundation of a monetary union there is room for the co-operation of centralized financial control like that of a Central National Bank, and that in the course of negotiations something equivalent to such action might be demanded of the United States. In such event the Government might find the demand justifiable under the circumstances, and must then consider whether the Treasury, as now organized, can meet it, or whether it would be expedient to invoke the co-operation of the banks, under the due guarantees of appropriate legislation.

In evidence that the idea of the intervention of banks, as the servants of a national monetary policy, is not mere speculation, I may cite two late instances of proposed action. The English Government transmitted to the Conference of 1881, at Paris, a declaration of the Bank of England that it would be open for the purchase of silver up to a certain proportion of its gold (meaning, presumably, that the Issue Department would issue bank-notes on silver in a ratio not greater than one of silver to four of gold), provided the projected monetary union should restore the coinage of silver. So the Direction of the Bank of Holland regard it, as an essential feature of a bimetallic union, that the great banks of the

agreeing states should each be ready to buy silver and gold bullion at a fixed price, presumably the same relative price in each nation. It will, I think, be apparent, that in the event that any international concert of action replaces the present state of chaos and dead-lock, a readjustment of the relation between the banks and the Treasury must become a subject of practical discussion.

S. DANA HORTON.